Multinationals demand that Indonesian President Habibie protect their assets

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Some of the biggest American, European and Japanese transnational corporations have demanded—in no uncertain terms—that the regime headed by President B. J. Habibie protect their multi-billion-dollar investments in Indonesia that involve partnerships with Suharto family members.

"If the government reneges on this contract, they'll get absolute turmoil," Ronald P. Landry, chief executive officer of Paiton Energy, told *BusinessWeek* magazine last week. He invoked the threat of phone calls from US President Bill Clinton and Japanese Prime Minister Ryutaro Hashimoto on behalf of the Paiton consortium, which includes General Electric and Mitsui.

Landry was referring to the document Paiton signed with the Suharto regime in 1994 to build a $US2.5 billion power plant, due to go on-line next year. This deal is just one of an estimated $73 billion worth of projects personally approved by Suharto between 1967 and 1995, involving corporate giants such as Siemens of Germany, BP of Britain, Nestle of Switzerland, Merrill Lynch of the US, NEC of Japan, Hyundai of Korea and BHP of Australia.

As is typical in joint ventures in Indonesia, the American and Japanese conglomerates in the Paiton project obtained the contract by giving large equity shares to Suharto's second daughter, Siti Hedijati Hariyadi (Titiek), and her brother-in-law Hashim Djojohadikusumo. Hashim, a billionaire, is the brother of Titiek's husband, Major-General Prabowo Subianto.

Habibie's government is facing mounting demands from workers and students, as well as various Indonesian business interests, to confiscate or at least make inroads into the financial empire amassed by the Suharto dynasty and its corporate associates. "The political pressure is just beginning," one corporate chief complained to *BusinessWeek*. "It will get bigger and bigger," said Sofjan Wanandi, head of the Gemala Group, whose foreign partners include Nomura Securities and Glaxo Wellcome.

Popular hostility toward the Suharto family is now so great that the military has reportedly advised members of the family not to leave their mansions. Business figures have acknowledged that family members had to quit their board positions on public companies, lest the companies lose their ability to trade. That was why Suharto's son Bambang Trihatmodjo resigned as president-director of Bimantara Citra, which has $1.3 billion worth of joint ventures with Deutsche Telekom, Hughes Electronics, Hyatt, Hyundai and other firms.

Much of the Suharto wealth—estimated at up to $40 billion—was accumulated over the past decade by requiring transnationals to create multi-million-dollar equity holdings for family members in joint ventures. In addition, an array of kickbacks, bribes and consultants' fees were paid to the Suharto clan in return for investment approvals, government tenders and rights to impose inflated charges for services such as electricity and water.

In the case of the Paiton plant, for example, there was no formal bidding system for the contract in 1994. The government agreed to pay an inflated price of 8.5 US cents per kilowatt hour for its energy—far higher than prevailing rates. Now the cost is astronomical, given the 80 percent plunge in the value of the rupiah and the collapse in industrial and commercial demand for electricity over the past year.

In at least one instance, the Habibie-led regime has quickly buckled under the pressure of the transnationals and their governments. That occurred when the Jakarta Water Authority decided on June 1 to give France's Suez Lyonnaise des Eaux and Britain's Thames Water International complete control over key water purification and supply systems in Jakarta.

Following strenuous interventions by the Blair Labour Party government in Britain and the Jospin Socialist Party government in France, these firms were permitted to buy out the equity stakes of Suharto's son Sigit Harjojudanto and his associates from the Salim family, Indonesia's largest ethnic Chinese business empire.

Many other such projects exist—particularly in the mining sector, where massive profits are at stake in gold, copper and oil. Among them are two projects involving Freeport McMoRan Copper and Gold (US-based, but one-third owned by British-Australian giant Rio Tinto), the Indonesian government and Suharto's Nusamba investment company. The first is a $3.2 billion gold and copper mine in Irian Jaya (West Papua), and the second is a $650 million copper smelter. The highly profitable mine (it made $245 million last year) was exempted from company tax last August, just months after Suharto's Nusamba was given a 10 percent stake in the project.

The smelter, awarded a generous five-year tax holiday, also has a Japanese partner, Mitsubishi Materials.

As one Indonesian reader of the *World Socialist Web Site* has pointed out in correspondence, the next generation—Suharto's grandchildren—have begun to assemble business fortunes. Suharto's eldest grandson, Ari Haryo Wobowo Sigit, 27, the son of Sigit Harjojudanto, runs the ARHA Group, which has activities in commodities, telecommunications, tourism and manufacturing. His 28 companies run a fibreglass plant, infrastructure projects and a power station. His most recent venture is a consumer label—Sexy—specialising in clothes, cafes, soft drinks and beer. He achieved notoriety in February 1996 when he tried to impose a special levy on beer and alcohol sales on the island of Bali.

But this grotesque cronyism goes far beyond the Suharto clan. That is only the most visible feature of an interlocking corporate web that extends right into the Habibie cabinet, the puppet parliament, the military high command and the bourgeois opposition led by figures such as Amien Rais and Megawati Sukarnoputri.

Within the cabinet, Habibie himself has a $60 million network of 83 companies in the Timsco Group, operated by his brother, and the Repindo Group, run by his son, most of which had contracts awarded by government agencies controlled by Habibie during his 20 years as technology minister.

Ginandjar Kartasasmita, the Co-ordinating Minister for the Economy, Finance and Industry, a member of Suharto's cabinet since 1988, has a significant share, through a brother, in the Catur Yasa Group. Its 18 companies have profited from government licences, approvals and contracts in areas that closely mirror Ginandjar's past ministerial portfolios.

Hartoto Sastrosoenarto, Co-ordinating Minister for Development and National Reform, a minister since 1983, runs the Garama Group through three sons and two daughters. Its 30 companies have benefitted from government supply contracts.

Harmoko, the Speaker of the parliament and the Peoples Consultative Assembly (MPR), served as Suharto's Information Minister between 1983 and 1997. As he administered the dictatorship's tight control over the media, he took over much of it. His PosKota Group owns some of the biggest circulation newspapers and a newsprint mill.

Many in the bourgeois opposition have similar interests, or, alternatively, seek to become the new partners of the transnationals. Megawati, for example, is married to a businessman. Professor Sumitro Djojohadikusumo, a prominent member of Amien Rais's opposition Peoples' Council (MAR), is General Prabowo's father and was an economics adviser to both Suharto and his predecessor, Sukarno.

Others on the lists of Suharto foundation (yayasan) directors include aspiring opposition presidential candidate, former Suharto minister Emil Salim, and Habibie's debt negotiator Radius Prawiro.

In line with their vested class interests, the bourgeois opposition leaders have joined General Wiranto in trying to quell the popular demand for action against the Suhartos and their collaborators. Both Rais and Megawati have appealed for calm and restraint. However, few people have accepted the regime's announcement of a limited inquiry into Suharto's wealth, to be run by the government's own Attorney General.

Another group has sprung up, calling itself Citizens Who Care About the National Wealth, seeking to divert the unrest into a lawsuit. "The people are adamant about it—the wealth has to be returned," said its spokesman, lawyer Albert Hasibuan. "The people are poised to take the law into their own hands. It's better for us to start formal legal proceedings." Such manoeuvres are designed to protect the Habibie-led regime and reassure the multinationals that their interests will not be threatened.

Having profited immensely for years from their intimate dealings with the Suharto family, the transnational banks and corporations are now dictating new terms to the financially bankrupted and politically unstable Jakarta regime. Under the cover of belated concerns about corruption and nepotism, they are demanding even less restricted access to the profits to be made from the natural wealth and cheap labour of Indonesia. This is the essential purpose of the restructuring plans imposed by the International Monetary Fund and World Bank.

Both the regime currently headed by Habibie and the bourgeois opposition are committed to enforcing the demands of global and Indonesian capitalism against the pauperised masses. None of the factions in ruling circles will take even the first steps toward freeing the Indonesian masses from economic and political oppression: the repudiation of the foreign debt and the appropriation of the assets of the Suharto empire and its business partners.